



LOUISIANA DEPARTMENT OF INSURANCE

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**DIRECTIVE 196**

**March 1, 2006**

**NOTICE TO ALL LOUISIANA PROPERTY AND CASUALTY INSURERS**

**RE: HURRICANE KATRINA AND HURRICANE RITA  
DEEMED CATASTROPHIC EVENTS ENTITLING INSURED  
TO EXEMPTION FROM USE OF CREDIT INFORMATION**

On August 26, 2005, Governor Kathleen Babineaux Blanco declared the existence of a State of Emergency within the state of Louisiana caused by Hurricane Katrina. Subsequently, on September 20, 2005, Governor Kathleen Babineaux Blanco declared the existence of a State of Emergency within the state of Louisiana caused by Hurricane Rita. Further, due to the devastation inflicted upon Louisiana by Hurricane Katrina and Hurricane Rita, the Commissioner of Insurance issued Emergency Rule 15 on September 20, 2005, Emergency Rule 19 on October 26, 2005, and Emergency Rule 23 on December 30, 2005.

Thousands of Louisiana citizens have suffered damage due to Hurricane Katrina and/or Hurricane Rita. The personal property of many Louisiana citizens was severely damaged or destroyed. Insurers have been working diligently to adjust and pay claims. However, due to the severity and complexity of damage caused by these hurricanes, many policyholders have been placed in a precarious financial situation. In many instances, the financial condition of the individual's credit record will be adversely impacted by consequences directly or indirectly stemming from events surrounding Hurricane Katrina and/or Hurricane Rita.

It could be months or years before damaged personal property located in Louisiana can be repaired, reconstructed or replaced. It could take as long or longer for an individual's credit record to return to a stable level not influenced by the events of Hurricane Katrina and/or Hurricane Rita.

This inordinate time period to repair, reconstruct or replace personal property will affect the ability of Louisiana insureds to maintain or obtain personal insurance. Hurricane Katrina and Hurricane Rita have created a mass disruption to the normalcy previously enjoyed by Louisianans to maintain or obtain personal insurance.

In light of this, Directive 196 is to inform all property and casualty insurers, surplus lines insurers, and any and all other entities doing business in Louisiana and/or regulated by the Commissioner writing personal lines coverage that the Louisiana Legislature, at the 2003

Regular Session, enacted Part XXXI-A, of Chapter 1 of Title 22 of the Louisiana Revised Statutes ("the Insurance Code"), which regulates the use of credit scoring in Louisiana. The Act took effect on August 15, 2003, and applies to all policies written or renewed on or after May 15, 2004. As such, insurers are to comply with the interpretation and guidance provided herein by Directive 196.

Accordingly, I hereby issue Directive 196:

1. Directive 196 addresses the right of an insured to be exempt from the use of adverse credit information directly or indirectly caused by Hurricane Katrina and/or Hurricane Rita. Directive 196 only applies to personal lines of insurance.
2. The Commissioner of Insurance deems that Hurricane Katrina and Hurricane Rita are catastrophic events that trigger the exemption to which the insured is entitled pursuant to LSA R.S. 22:1487.
3. Further, and pursuant to LSA R.S. 22:1487, Directive 196 advises and directs all such insurers writing personal lines of insurance in Louisiana, and upon demonstration by an insured, to ignore all unfavorable entries entered into an individual's credit record beginning with entries posted on August 26, 2005, and all such unfavorable entries posted thereafter, that are related to Hurricane Katrina and/or Hurricane Rita. These adverse entries shall be ignored when considering the individual's credit history by an insurer during the underwriting or rating of any personal lines insurance policy.
4. Directive 196 does not prohibit an insurer from using a credit entry, favorable or unfavorable, posted on or after August 26, 2005 that is not related to Hurricane Katrina and/or Hurricane Rita.
5. Any controversy or dispute between the insurer and the insured shall be resolved pursuant to the framework set forth in LSA R.S. 22:1485 and 1486.
6. The Commissioner understands that Directive 196, and the underlying statutory authority, only applies to personal lines of insurance. However, in recognition of the catastrophic impact that Hurricane Katrina and Hurricane Rita had upon commercial entities operating in Louisiana, the Commissioner of Insurance strongly urges and requests that all insurers writing commercial lines of insurance in Louisiana abide by the spirit and intent of Directive 196.

Baton Rouge, Louisiana this 1st day of March 2006.

BY:

  
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COMMISSIONER OF INSURANCE